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February 6, 1998

Dear Commissioner,

This is a copy of a letter ,sent to the Arizona Republic, and your' fellow commissioners. I hope you will seriously consider these points, in your deliberations.

Thank you,

B.E. Smith

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ELECTRIC UTILITY DEREGULATION -- A MONSTER IN DISGUISE

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The "Public Utility Holding Company Act of 1935" was passed by congress to force giant holding companies to divest themselves of ownership, in multiple electric utility companies. The reason for breaking up the holding companies was the fact, that by controlling many utilities, they could stifle competition, and charge customers unreasonable rates. In other words, their huge size allowed them to exert undue market influence.

Historically, electric utilities were granted a service area by cities and states which gave them a monopoly to do business in a defined area. Since this monopoly precluded open competition, the utilities agreed to be monitored and controlled by the state corporation commissions. The corporation commissions reviewed utility activities and allowed a reasonable rate of return on investment. Corporation commissions have usually done an excellent job, establishing rates that were fair to the utility and fair to the customer. This rate setting process by the corporation commission was a substitution for or "in lieu" of natural competition. This procedure has worked very effectively for the past 60 years.

Now U.S. Representative Thomas Bliley R. Virginia, Chair of the House Commerce Committee, and numerous state politicians, probably motivated by generous campaign contributions, from the big electrical users, have decided it is time to deregulate the electric utilities.

Purportedly, deregulation would force utilities to compete, thus lowering consumer rates. Rep. Bliley, a former funeral home operator, may understand his own business very well, but it is doubtful that he understands the "chaos" which will be unleashed on the unsuspecting public if an electric utility deregulation bill is passed. The primary supporters of the bill are the big commercial and industrial electrical customers, and utility executives who see the possibility of huge salary and bonus gains. Mr. Charles Bayless, President and CEO for Tucson Electric Power to his credit, has spoken out against deregulation.

If a deregulation bill is passed, we may expect the following results:

1. Electric rates for large commercial and industrial users will drop by approximately 25%.
2. After a brief lull, household consumer rates will rise by 15% to 25%, adjusted for inflation, to subsidize lower rates for large consumers.
3. Mergers of electric utilities will happen, at an unprecedented rate. That alone will stifle competition. Add to that, deregulation, and what happens to the household consumer? (Are "anti trust laws" still with us?)

4. Electric utility securities prices will fall , in anticipation of lower dividends, and uncertainty. (Might be a good time to get out.) Some utilities with new high cost generation will face bankruptcy.
5. An extremely stable and well paid utility work force of approximately one half million people will be cut by approximately 30%, leaving them without income and benefits, in the face of a shrinking job market.
6. "On the job safety, of which the electric utility industry has an enviable record, will be sacrificed to the bottom line. as will the excellent repair service, to which we have all become accustomed.
7. Utility "top executive" compensation shall increase dramatically. (To relieve the anguish of cost cutting , in other areas).
8. Slick salesmen , with carpet bags and computers will be wooing us to let them be our electric servers, at a loss leading initial price.
9. Huge multi-state customer outages will take place; when transmission lines overload as a result of energy brokers sacrificing electrical system reliability in the quest for more dollars.
10. Last , the appointment of a federal power czar and the nationalization of all electrical transmission facilities, and we all know the socialistic games that will follow.

FINALE; I urge everyone who wishes to prevent the foregoing scenario from happening, to communicate with all of your federal congressmen and congresswomen, and state legislators and ask them to stop this monster in its tracks, by voting "NO" for electric utility deregulation.

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